

GOVERNMENT SECURITIES MARKET

MONTHLY REPORT MARCH 2017

The net issuance was HUF 653.6 billion; out of which net HUF-denominated issuance was HUF 606.6 billion and net foreign currency denominated issuance was HUF 47.0 billion in 2017.

CENTRAL GOVERNMENT DEBT

(HUF billion)	2016		2017		Change	
	December	%	March	%	HUF billion	%
HUF denominated debt	18,430.9	72.5	19,037.4	73.3	606.6	3.3
Loans	865.0	3.4	877.1	3.4	12.0	1.4
Government bonds	11,601.6	45.6	11,408.9	44.0	-192.7	-1.7
Retail securities	5,067.9	19.9	5,811.6	22.4	743.7	14.7
Discount treasury bills	896.4	3.5	939.9	3.6	43.6	4.9
Foreign exchange denominated debt	6,256.5	24.6	6,256.8	24.1	0.3	0.0
Total	24,687.4	97.1	25,294.3	97.4	606.9	2.5
<i>Other obligations</i>	742.7	2.9	663.6	2.6	-79.0	-10.6
Total central government debt	25,430.0	100.0	25,957.9	100.0	527.9	2.1

The HUF denominated debt of the central government increased by HUF 606.6 billion in 2017. The increase in domestic debt was the result of the total amount of retail government securities increased by HUF 743.7 billion, the amount of discount Treasury bills increased by HUF 43.6 billion and the net government bond redemption of HUF 192.7 billion. The stock of non-marketable government bonds hasn't changed. The volume of HUF loans increased by HUF 12.0 billion in 2017.

The foreign currency debt of the central government increased by HUF 0.3 billion in 2017. The domestic PÉMAK and residence bond issuance was HUF 53.9 billion, while the redemptions of foreign currency debt worth HUF 6.9 billion decreased the debt. The exchange rate revaluations totalling HUF 46.7 billion decreased the Hungarian Forint value of the foreign currency debt in March. The total amount of other liabilities decreased by HUF 79.0 billion in 2017.

BENCHMARK YIELDS

Maturity	30.12.2016	28.02.2017	31.03.2017	Change in March basis point
3-month	0.06	0.09	0.07	-2
6-month	0.08	0.10	0.07	-3
1-year	0.15	0.21	0.09	-12
3-year	0.82	1.51	1.14	-37
5-year	1.67	2.17	2.15	-2
10-year	3.16	3.41	3.29	-12
15-year	3.66	3.91	3.77	-14

Monthly OTC turnover of government securities increased by 5% to HUF 5,353.7 billion in March. Primary dealers, who account for the decisive part of all secondary government securities trading, made 81% of their secondary government securities deals with non-resident investors.

The volume of non-residents' holdings of Hungarian government securities increased altogether by HUF 25.6 billion in March and amounted to HUF 3,346.8 billion at the end of the month. This volume represented 18.4% of the total amount of domestic government securities.

The EUR/HUF exchange rate according to the National Bank of Hungary was 308.70 on the last working day of March.

The credit rating of the long-term foreign currency debt of Hungary is as follows on the last working day of March: BBB- (Standard & Poor's); Baa3 (Moody's); BBB- (Fitch).

GOVERNMENT SECURITIES MARKET

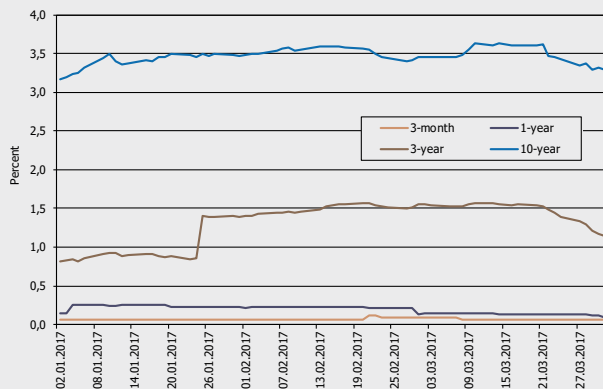
CENTRAL GOVERNMENT GROSS DEBT

HUF BILLION

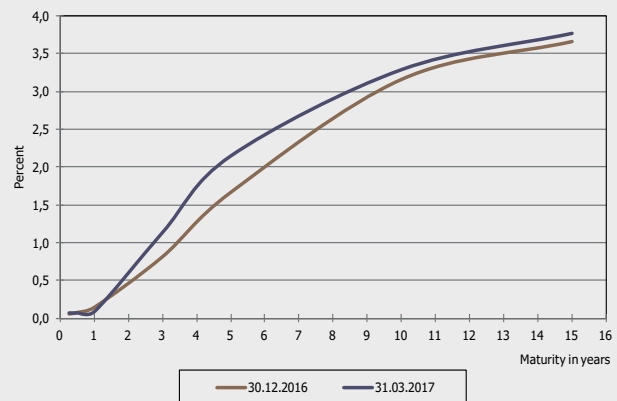
	2012	2013	2014	2015	2016	2017 January	2017 February	2017 March
1. Forint denominated debt	12,042.4	12,976.4	14,612.0	16,207.9	18,430.9	18,852.6	18,887.5	19,037.4
1.1. Loans	566.8	603.6	623.3	694.1	865.0	877.1	877.1	877.1
1.2. Government securities	11,475.6	12,372.8	13,988.7	15,513.8	17,565.8	17,975.5	18,010.4	18,160.4
1.2.1. Public issues	11,077.1	12,182.3	13,847.7	15,462.3	17,526.7	17,936.3	17,971.2	18,121.2
1.2.1.1. Bonds	8,184.1	8,588.8	9,848.0	11,043.4	11,562.4	11,528.8	11,183.9	11,369.7
1.2.1.2. Discount T-bills	1,906.5	1,904.9	1,588.6	901.6	896.4	994.1	1,035.6	939.9
1.2.1.3. Retail securities	986.6	1,688.5	2,411.1	3,517.4	5,067.9	5,413.5	5,751.7	5,811.6
1.2.2. Private placements	398.5	190.5	141.0	51.5	39.2	39.2	39.2	39.2
2. Foreign currency denominated debt*	8,326.6	8,904.9	8,957.9	7,735.8	6,256.5	6,270.7	6,217.9	6,256.8
2.1. Loans	3,312.5	2,735.6	2,164.3	1,696.8	1,101.6	1,100.9	1,088.7	1,086.8
2.1.1. Foreign loans	3,229.0	2,400.2	1,889.9	1,614.2	1,097.6	1,096.9	1,084.7	1,086.8
2.1.2. Domestic loans	83.5	335.4	274.4	82.6	4.0	4.0	4.0	0.0
2.2. Government securities	5,014.1	6,169.3	6,793.6	6,039.0	5,154.9	5,169.7	5,129.2	5,170.1
2.2.1. Issued abroad	4,924.2	5,736.9	5,844.6	5,198.9	4,618.9	4,618.7	4,569.8	4,584.5
2.2.2. Issued domestically	89.9	432.5	948.9	840.1	536.0	551.1	559.4	585.6
Total	20,369.0	21,881.4	23,569.9	23,943.7	24,687.4	25,123.2	25,105.4	25,294.3
Other liabilities	351.10	117.30	311.20	756.00	742.70	683.1	718.1	663.6
Total central government debt	20,720.1	21,998.6	23,881.1	24,699.7	25,430.0	25,806.3	25,823.5	25,957.9
Marketable HUF debt (1.2.1.1+1.2.1.2+1.2.2)	10,489.1	10,684.2	11,577.6	11,996.5	12,498.0	12,562.1	12,258.7	12,348.8
Gross debt/GDP	72.3%	73.0%	73.7%	72.6%	72.6%			

*Foreign exchange debt is recorded at the mid exchange rate of the NBH at the end of the year/month.

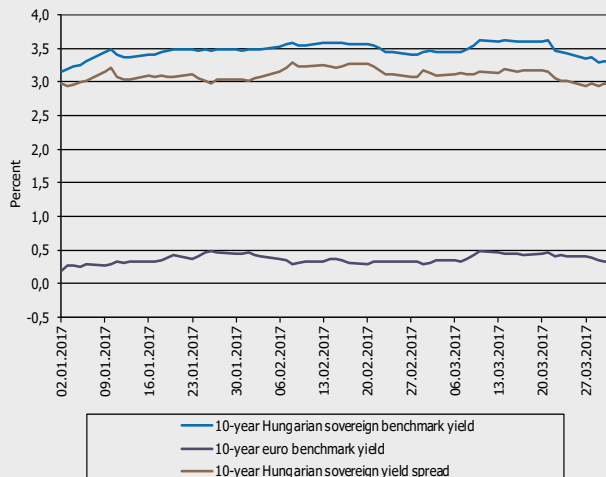
Benchmark yields



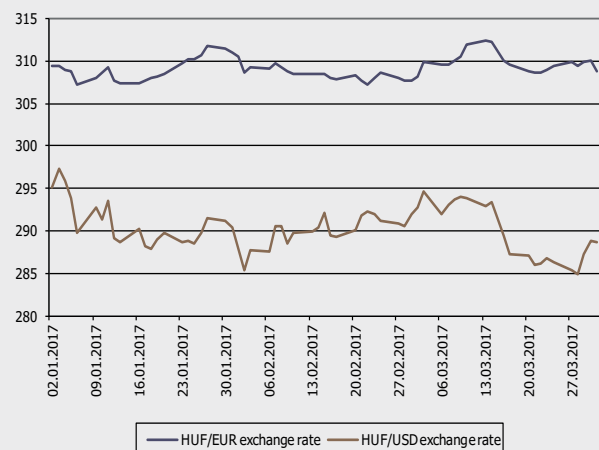
Benchmark yield curves



10-year Hungarian and eurozone benchmark yields



The exchange rate of the Hungarian Forint



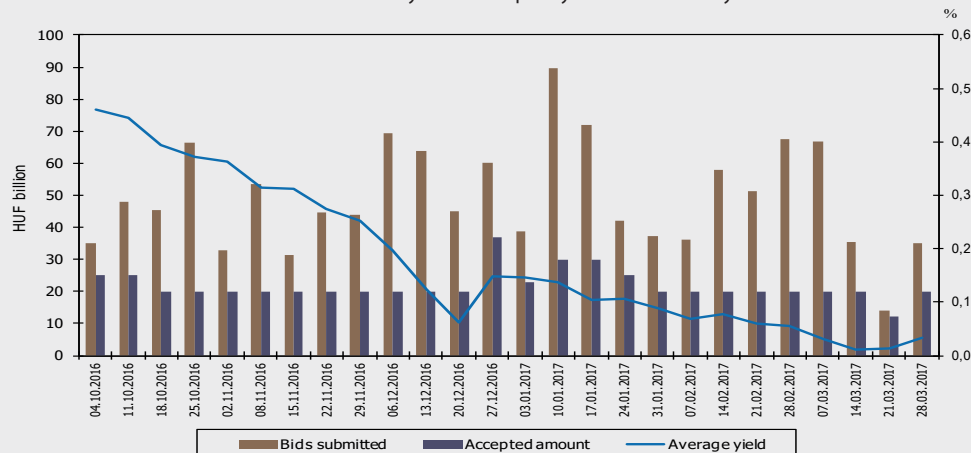
GOVERNMENT SECURITIES MARKET

DISCOUNT TREASURY BILL AUCTION RESULTS

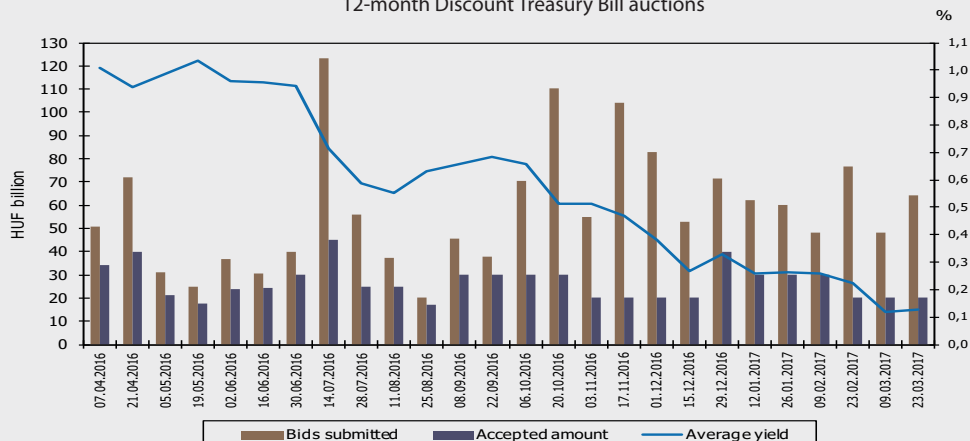
	3-month Discount T-bills				12-month Discount T-bills	
Code of T-bills	D170614	D170621	D170628	D170705	D180228	D180228
ISIN code	HU0000521463	HU0000521471	HU0000521489	HU0000521497	HU0000521448	HU0000521448
Maturity in days	90	91	91	91	349	336
Date of auction	07.03.2017	14.03.2017	21.03.2017	28.03.2017	09.03.2017	23.03.2017
Date of financial settlement	16.03.2017	22.03.2017	29.03.2017	05.04.2017	16.03.2017	29.03.2017
Redemption date	14.06.2017	21.06.2017	28.06.2017	05.07.2017	28.02.2018	28.02.2018
Maximum yield (%) - ISMA	0.04	0.02	0.03	0.05	0.13	0.14
Minimum yield (%) - ISMA	0.03	0.01	-0.01	0.01	0.11	0.09
Average yield (%) - ISMA	0.03	0.01	0.01	0.03	0.12	0.13
Maximum yield (%) - EHM	0.04	0.02	0.03	0.05	0.13	0.14
Minimum yield (%) - EHM	0.03	0.01	-0.01	0.01	0.11	0.09
Average yield (%) - EHM	0.03	0.01	0.01	0.03	0.12	0.13
Average selling price (%)	99.9925	99.9975	99.9964	99.9914	99.8838	99.8822
Amount offered for sale (HUF million)	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Amount of bids submitted (HUF million)	66,800.00	35,550.00	14,166.71	35,200.00	48,380.00	64,177.04
Amount of bids accepted (HUF million)	19,999.93	19,999.99	11,999.98	19,999.98	19,999.98	19,999.94
Bid-to-cover ratio	3.34	1.78	1.18	1.76	2.42	3.21
Bids submitted (pcs)	58	37	31	33	61	66
Bids accepted (pcs)	28	20	27	28	26	42
Market sales* (HUF million)	19,999.93	19,999.99	11,999.98	19,999.98	19,999.98	19,999.94
Retained on ÁKK's own account (HUF million)	10,000.07	6,000.01	6,000.02	20,000.02	20,000.02	20,000.06
Total amount issued (HUF million)	30,000.00	26,000.00	18,000.00	40,000.00	40,000.00	40,000.00

* Without issuance onto ÁKK's own account

3-month Discount Treasury Bill and Liquidity Discount Treasury Bill auctions



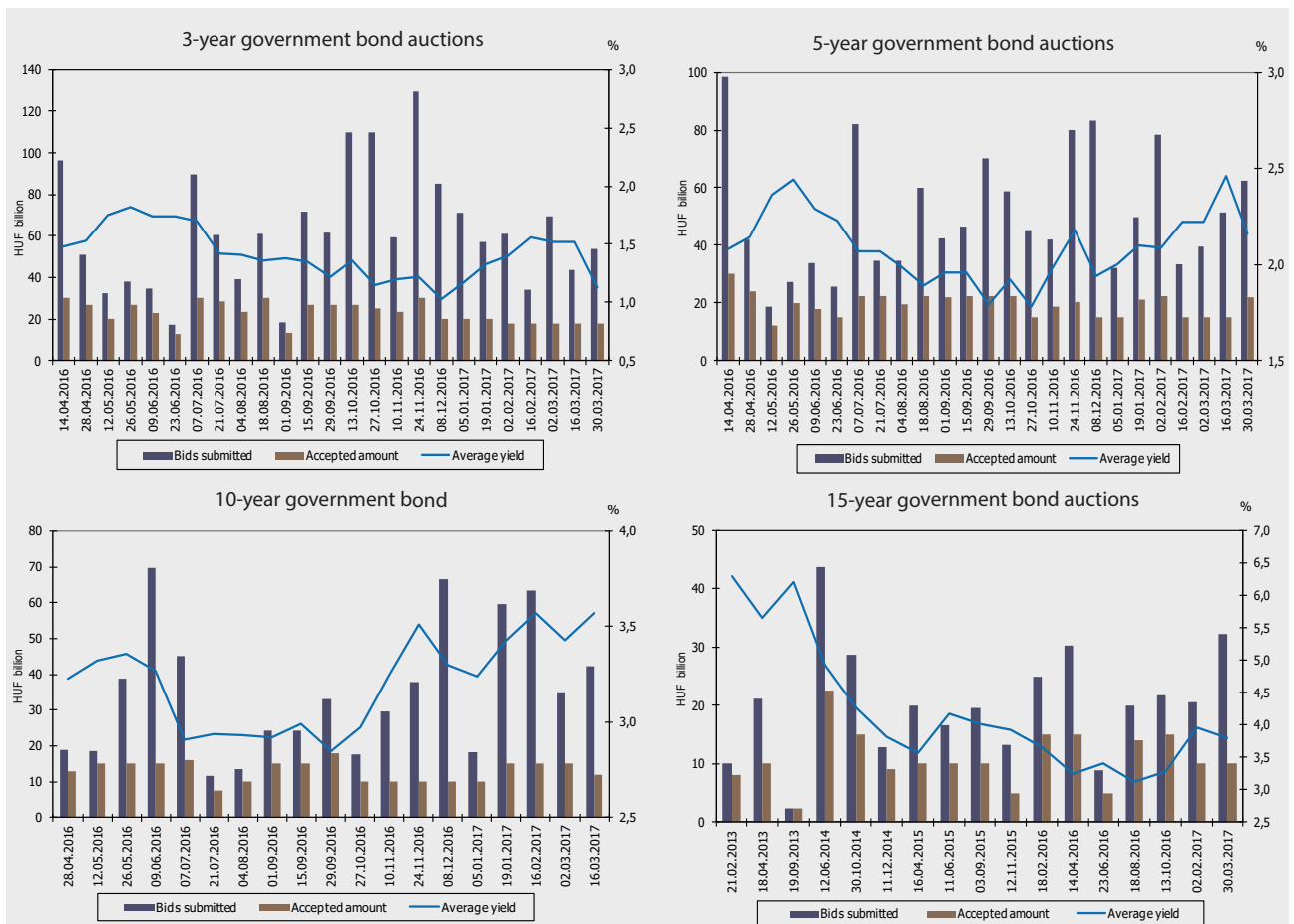
12-month Discount Treasury Bill auctions



GOVERNMENT SECURITIES MARKET

GOVERNMENT BOND AUCTION RESULTS

Government Bond	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2027/A	2021/A	2020/C	2022/B	2031/A
ISIN code	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403118	HU0000402995	HU0000403258	HU0000403266	HU0000403001
Maturity (in years)	3	5	10	5	3	5	10	5	3	5	15
Coupon	1.00%	1.75%	3.00%	0.39%	1.00%	1.75%	3.00%	0.23%	1.00%	1.75%	3.25%
Auction	5th auction	5th auction	24th auction	16th auction	6th auction	6th auction	25th auction	17th auction	7th auction	7th auction	11th auction
Date of auction	02.03.2017	02.03.2017	02.03.2017	09.03.2017	16.03.2017	16.03.2017	16.03.2017	23.03.2017	30.03.2017	30.03.2017	30.03.2017
Date of financial settlement	08.03.2017	08.03.2017	08.03.2017	16.03.2017	22.03.2017	22.03.2017	22.03.2017	29.03.2017	05.04.2017	05.04.2017	05.04.2017
Redemption date	23.09.2020	26.10.2022	27.10.2027	23.06.2021	23.09.2020	26.10.2022	27.10.2027	23.06.2021	23.09.2020	26.10.2022	22.10.2031
Maximum annual yield (%) - ISMA	1.54	2.24	3.44	-	1.53	2.47	3.57	-	1.15	2.17	3.80
Minimum annual yield (%) - ISMA	1.50	2.20	3.39	-	1.50	2.44	3.56	-	1.12	2.15	3.76
Average annual yield (%) - ISMA	1.52	2.22	3.43	-	1.52	2.46	3.57	-	1.13	2.16	3.79
Maximum annual yield (%) - EHM	1.54	2.24	3.44	-	1.53	2.47	3.57	-	1.15	2.17	3.80
Minimum annual yield (%) - EHM	1.50	2.20	3.39	-	1.50	2.44	3.56	-	1.12	2.15	3.76
Average annual yield (%) - EHM	1.52	2.22	3.42	-	1.52	2.46	3.56	-	1.13	2.16	3.79
Maximum price (%)	98.2882	97.6390	96.5534	98.3700	98.3060	96.4299	95.1139	98.3500	99.5956	97.9250	94.3496
Minimum price (%)	98.1527	97.4325	96.1231	98.3000	98.2054	96.2782	95.0295	98.3100	99.4944	97.8217	93.9241
Average price (%)	98.2150	97.5217	96.2438	98.3300	98.2437	96.3214	95.0698	98.3300	99.5457	97.8594	94.0322
Amount offered for sale (HUF million)	18,000.00	15,000.00	12,000.00	5,000.00	18,000.00	15,000.00	12,000.00	5,000.00	18,000.00	15,000.00	10,000.00
Amount of bids submitted (HUF million)	69,200.00	39,700.00	34,900.00	16,966.00	43,900.00	51,245.00	42,375.00	19,100.00	53,850.00	62,450.00	32,210.00
Amount of bids accepted (HUF million)	18,000.00	14,999.96	14,999.99	5,999.99	17,999.98	14,999.96	12,000.00	7,499.99	17,999.98	22,000.00	9,999.97
Bid-to-cover ratio	3.84	2.65	2.33	2.83	2.44	3.42	3.53	2.55	2.99	2.84	3.22
Bids submitted (pcs)	67	58	46	25	45	56	40	29	48	56	60
Bids accepted (pcs)	26	34	30	10	23	21	9	13	17	23	24
Tail (%) (average price - minimum price)	0.06	0.09	0.12	0.03	0.04	0.04	0.04	0.02	0.05	0.04	0.11
Market sales (HUF million)	18,000.00	14,999.96	14,999.99	5,999.99	17,999.98	14,999.96	12,000.00	7,499.99	17,999.98	22,000.00	9,999.97
Non-competitive offer (HUF million)	4,372.60	1,839.32	4,911.82	2,159.99	4,177.13	2,207.36	200.00	2,293.33	6,599.97	8,080.00	3,599.97
Total amount sales (HUF million)	22,372.60	16,839.28	19,911.81	8,159.98	22,177.11	17,207.32	12,200.00	9,793.32	24,599.95	30,080.00	13,599.94



GOVERNMENT SECURITIES MARKET

GOVERNMENT SECURITIES BUY-BACK AUCTION RESULTS

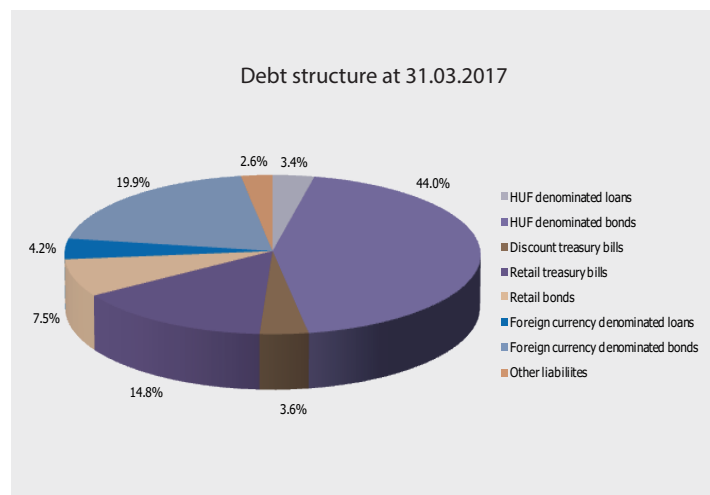
Government bond	2018/B	2018/C	2018/C	2018/A	2018/A	2019/C
ISIN code	HU0000402730	HU0000402979	HU0000402979	HU0000402631	HU0000402631	HU0000403092
Coupon (%)	4.00%	2.50%	2.50%	5.50%	5.50%	2.00%
Date of reverse auction	01.03.2017	01.03.2017	14.03.2017	14.03.2017	29.03.2017	29.03.2017
Date of financial settlement	08.03.2017	08.03.2017	22.03.2017	22.03.2017	05.04.2017	05.04.2017
Redemption date	25.04.2018	22.06.2018	22.06.2018	20.12.2018	20.12.2018	30.10.2019
Minimum annual yield (%)	0.12	0.12	0.12	0.31	0.17	0.60
Average annual yield- ISMA (%)	0.13	0.13	0.12	0.31	0.18	0.60
Average annual yield - EHM (%)	0.13	0.13	0.12	0.31	0.18	0.60
Amount of bids submitted (HUF million)	1,248.60	19,742.38	1,890.44	60,614.98	11,182.39	68,957.86
Amount of bids accepted (HUF million)	1,248.60	19,742.38	740.44	58,419.72	11,182.39	48,000.00

INTEREST RATE RESETS OF FLOATING RATE GOVERNMENT BONDS IN MARCH 2017

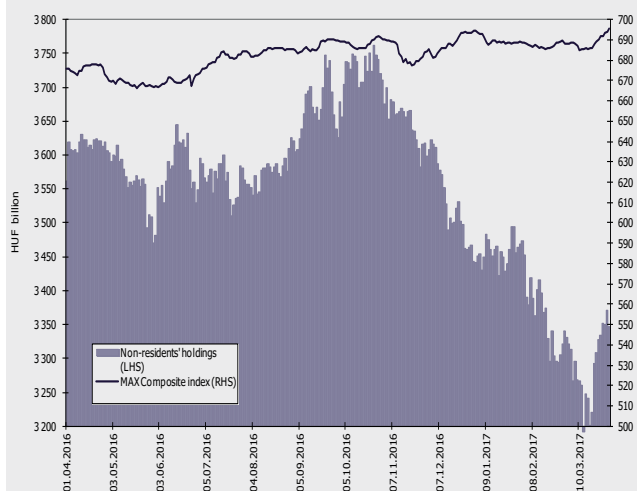
Government bond	Date of interest rate reset	Interest period		Date of interest payment	Reset interest rate	Interest payable
2017/C	18.03.2017	20.03.2017	20.06.2017	20.06.2017	0.23%	0.06%
2021/A	20.03.2017	23.03.2017	23.06.2017	23.06.2017	0.23%	0.06%

OUTSTANDING AMOUNT OF RETAIL SECURITIES

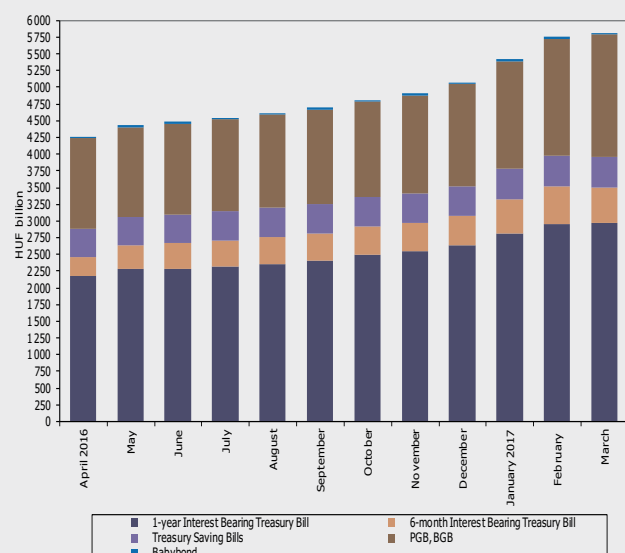
Retail securities	HUF billion		Change
	31.12.2016	31.03.2017	HUF billion
1-year Interest Bearing T-Bill	2,636.7	2,966.8	330.1
6-month Interest Bearing T-Bill	428.9	535.4	106.5
Treasury Saving Bills	453.7	460.5	6.8
PGB, BGB	1,521.2	1,818.2	297.0
Babybond	27.4	30.6	3.2
Total	5,067.9	5,811.6	743.7



Non-residents' holdings of Hungarian government securities during the last year and the MAX index



Outstanding amount of retail securities during the last year



GOVERNMENT SECURITIES MARKET

HUNGARIAN GOVERNMENT SECURITIES INDICES

	MAX index	RMAX index	MAX Composite index	ZMAX index
Value as at 31.03.2017	728.3611	551.1914	695.3898	535.0284
Changes compared to the end of the month before	6.3569	0.3968	5.6972	0.0145
Annual yield earned on the index portfolio	2.87%	1.10%	2.76%	0.66%

BENCHMARK INDICES

	3 years	5 years	10 years	15 years
BMX-index value as at 31.03.2017	723.3155	762.4672	536.6688	346.4494
Changes compared to the end of the month before	9.9458	2.2713	7.2270	6.5282
Reference yield	1.14	2.15	3.29	3.77
Annual yield earned on the index portfolio	4.18	2.42	-0.21	-2.84

Government bonds with the highest secondary market turnover in March 2017

Government bond	Date of redemption	Turnover (HUF billion)
2025/B	24.06.2025	725.9
2027/A	27.10.2027	605.5
2020/A	12.11.2020	599.5
2023/A	24.11.2023	483.7
2024/B	26.06.2024	421.9
2019/C	30.10.2019	418.9
2021/B	27.10.2021	315.9
2022/A	24.06.2022	290.9
2022/B	26.10.2022	220.0
2019/A	24.06.2019	212.9

The outstanding volume of government bonds with benchmark status at the end of March 2017

Government bond	HUF billion	
	28.02.2017	31.03.2017
2019/C	749.11	715.07
2021/B	651.52	651.17
2027/A	342.36	374.36
2031/A	135.04	135.03

The outstanding volume of the three largest government bonds at the end of March 2017

Government bond	HUF billion
2025/B	1,057.25
2019/A	1,036.14
2023/A	997.20

